



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Number: **201310049**

Release Date: 3/8/2013

Date: November 28, 2012

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:

Tax Years:

UIL: 501.32-00; 501.32-01; 501.33-00

Dear :

This is our final determination that you do not qualify for exemption from federal income tax as an organization described in Internal Revenue Code section 501(c)(3). Recently, we sent you a letter in response to your application that proposed an adverse determination. The letter explained the facts, law and rationale, and gave you 30 days to file a protest. Since we did not receive a protest within the requisite 30 days, the proposed adverse determination is now final.

Since you do not qualify for exemption as an organization described in Code section 501(c)(3), donors may not deduct contributions to you under Code section 170. You must file federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file.

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose*, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, you should follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

In accordance with Code section 6104(c), we will notify the appropriate state officials of our determination by sending them a copy of this final letter and the proposed adverse letter. You should contact your state officials if you have any questions about how this determination may affect your state responsibilities and requirements.

Letter 4038 (CG) (11-2005)
Catalog Number 47632S

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your federal income tax status and responsibilities, please contact IRS Customer Service at 1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Holly O. Paz
Director, Exempt Organizations
Rulings and Agreements

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: October 18, 2012

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

LEGEND:

B =
C =
D =
E =
F =
G =
Q =
R =

UIL:

501.32-00
501.32-01
501.33-00

Dear :

We have considered your application for recognition of exemption from federal income tax under Internal Revenue Code section 501(a). Based on the information provided, we have concluded that you do not qualify for exemption under Code section 501(c)(3). The basis for our conclusion is set forth below.

Issues

- Do you meet the organizational test under section 501(c)(3) of the Code? No, for the reasons described below.
- Do you meet the operational test under section 501(c)(3) of the Code? No, for the reasons described below.
- Do you meet the requirements under section 501(q) of the Code? No, for the reasons described below.

Letter 4036 (CG) (11-2005)
Catalog Number 47630W

Facts

You are a corporation formed on B in the State of C. Your Articles of Incorporation provide in Article II that your specific purpose is to engage in "Counseling on housing, real estate and finance." You amended your Articles of Incorporation to include the following purposes:

FAIR HOUSING ASSISTANCE - HOME IMPROVEMENT AND REHABILITATION COUNSELING - HOMEBUYER EDUCATION PROGRAMS - LOSS MITIGATION - MARKETING AND OUTREACH INITIATIVES - MOBILITY AND RELOCATION COUNSELING - MONEY DEBT MANAGEMENT - MORTGAGE DELINQUENCY AND DEFAULT RESOLUTION COUNSELING - POSTPURCHASE COUNSELING - PREDATORY LENDING - PREPURCHASE COUNSELING - RENTERS ASSISTANCE - SERVICES FOR HOMELESS.

Your Bylaws do not include a purpose clause. Articles II and III of your bylaws indicate your owners are stockholders. You subsequently removed these provisions.

You have five officers, all of whom are compensated for providing various services to you. Your Board of Directors consists of four members. Three of your directors are related through business relationships. You submitted an executed Conflict of Interest Policy (COI). You may do business with one or more for-profit businesses owned by board members. You may contract with E, owned by D, for bookkeeping services. Also, G, owned by F, will be one of the companies on the list of recommended providers and as such may be paid directly for certain services if a client is unable to pay for such services.

Your services include rental counseling/assistance (%), mortgage foreclosure prevention counseling (%), new home purchase counseling (%), disaster relief assistance/supplies (%) and mortgage loan modification counseling/services (%). New home purchase counseling consists of providing the uniform HUD Settlement Cost Booklet and working through each section in a one-on-one environment. You do not charge any fees for your services or programs, all services will be paid through grants or fundraising.

Your down payment assistance program does not require any contribution from home sellers or home builders. The amount of the down payment assistance is determined based upon your grant guidelines. Your down payment assistance grant guidelines state that the payments may be used for initial down payment, closing costs, points and pre-paid expenses. The eligibility requirements for the program include: combined household income cannot exceed the maximum adjusted income based on the guidelines of the United States Department of Agriculture (USDA) section 502 as a reference and a benchmark and must receive an "eligible" from the summary checklist; total liquid savings and annuities cannot be more than \$ after the closing of the loan; must not have ownership in another property; must not have received a grant for the same category from you. The maximum grant allowable is \$ and cannot exceed % of the purchase price. The grant is dispersed directly to the seller.

You submitted a copy of the USDA Section 502 guidelines which state that individuals with incomes up to % of the median income for the area are eligible. You subsequently clarified

that the \$ in total liquid savings and annuities applies to refinancing under a loan modification not to home purchases. Home purchasers are only required to meet the section 502 income guidelines to receive down payment assistance. You do not sell or purchase homes, you only provide down payment assistance for homes purchased from third parties.

You provide mortgage foreclosure prevention services for those homeowners whose lender has already proceeded to foreclosure. You do not limit your services to a particular class. Your process includes the following steps:

Step 1 – Client brings in all information they have on their home, such as insurance policy, mortgage statements, appraisals and anything the bank has sent them.

Step 2 – A credit report is run on the client

Step 3 – An in-house financial form is completed with the client that includes all debt, living expenses and income.

Step 4 – A forensic home audit is performed to make sure all necessary paperwork and the processing of the loan were done legally.

Step 5 – You will contact the lender to get a detailed payoff to bring the mortgage current.

Step 6 – You eliminate all “junk” fees in the payoff through conversing with the lender.

Step 7 – If possible a loan modification will be negotiated to bring the mortgage current.

You do not directly provide any educational programs, rather you will recommend classes offered by other entities. You will discuss all possible options which can be pursued based on the information provided including refinancing, loan modification, principle reduction, renting vs. purchasing, etc. No written budget analysis will be provided unless required by HUD. Your first meeting with a client lasts from 3 to 5 hours. Follow up meetings are on an as-needed basis throughout negotiation with the lender.

You make referrals to realtors, attorneys, mortgage brokers, loan officers, HUD and the Veterans Administration. Your referral list of real estate providers includes 7 agencies and four attorneys. Your referral list of attorneys includes four attorneys at least one of whom, R, is a board member and officer. You selected the attorneys because they are bar-certified, experienced in their specialty and personally known to the board members through prior business transactions. Your referrals will consist of giving clients a list of providers. You do not pay or accept referral fees. You plan to apply for HUD certification after you receive exemption. You have not yet set your fees, however, you will use HUD guidelines to set your fees. The fees will not be refundable. You plan to conduct fundraising events as well as solicit grants and donations.

You provide several different types of grants including rental, mortgage foreclosure prevention or loan modification and/or principal reduction. Rental grants are available to individuals seeking

to rent an apartment but need help with the initial costs to move in such as first/last months rent and security deposit or paying their monthly rent. The applicant must state their hardship and the amount they are applying for. A credit report is run to determine debt ratios and for verification of no prior landlord court evictions or tax liens. In order to be eligible the back-debt ratio cannot exceed % or be lower than %. Verification of employment is also required. The maximum grant is \$ or one month's rent whichever is less. Funds are disbursed directly to the landlord. You do not utilize income restrictions, eligibility is determined by how much the apartment is renting for and the client's current debt-to-income ratio.

Mortgage foreclosure prevention assistance is provided to those who need help with saving their home from immediate foreclosure, needing to bring the deficiency current to stop the foreclosure. In order to be eligible for assistance an applicant must submit a hardship statement; provide a recent credit report to verify debt-ratio and no recent foreclosures; back debt ratio cannot exceed %; back debt ratio cannot be lower than %; confirmed employment; and not received a grant of same category. The maximum grant allowable is \$ which is disbursed directly to the lender or lender's representative. You do not utilize income restrictions.

Loan modification and/or principal reduction assistance is provided to those who are looking to avoid a foreclosure and negotiate a reduced mortgage payment for an affordable payment. Eligibility criteria includes a hardship letter, completion of application/financial form, qualification for a modification/principal reduction from lender; provide a copy of the modification/principal reduction company's agreement with the client; property must be owner occupied; modification agreement in place for any second mortgages or equity lines; back debt ratio cannot exceed %. Once the applicant has entered into a contract with the modification company and three days after the right of rescission, % of the grant will be given to the modification company; the maximum grant is \$ for a single mortgage or almost \$ for a first and second mortgage. All funds are paid directly to the modification/principle reduction company or lender. You do not utilize income restrictions. You provide assistance to clients who are trying to negotiate their own modification by explaining the lender's procedures, paperwork, etc. You do not negotiate directly with the lender.

You submitted copies of your board meeting minutes. Minutes of a meeting indicated that all program services are provided by Q, a related for-profit loan modification provider. You subsequently stated that Q will no longer be involved because you are providing the services in house. In fact, Q is now defunct. Other minutes indicated that you have 4 telemarketers making calls. The telemarketers are utilized for soliciting donations and are compensated on an hourly basis. In addition, you submitted copies of your website pages. The website indicates that you provide legal advice, housing support to veterans and active duty personnel and investor relations. Investor relations involve the promotion of corporate/foundation sponsorships. Legal advice is provided by your staff attorney to educate clients regarding various scenarios and options available in areas such as foreclosure, bankruptcy, short sales, or catastrophe rights under HUD guidelines. Veterans' assistance consists of the full range of services including financial counseling, referrals to outside legal entities, real estate or financing needs, grants for down payment assistance, attorney fees, realtor fees and or costs to make home handicap accessible. Finally, you currently share a facility with R's law firm leased from an unrelated landlord.

Law

Section 501(a) of the Code provides that an organization described in section 501(c)(3) shall be exempt from taxation.

Section 501(c)(3) of the Code provides that corporations may be exempted from tax if they are organized and operated exclusively for charitable or educational purposes and no part of their net earnings inures to the benefit of any private shareholder or individual.

Section 501(q) of the Code provides that organizations which provide "credit counseling services" as a substantial purpose shall not be exempt from taxation under section 501(a) unless they are described in sections 501(c)(3) or 501(c)(4) and they are organized and operated in accordance with the following requirements:

(A) The organization--

(i) provides credit counseling services tailored to the specific needs and circumstances of consumers,

(ii) makes no loans to debtors (other than loans with no fees or interest) and does not negotiate the making of loans on behalf of debtors,

(iii) provides services for the purpose of improving a consumer's credit record, credit history, or credit rating only to the extent that such services are incidental to providing credit counseling services, and

(iv) does not charge any separately stated fee for services for the purpose of improving any consumer's credit record, credit history, or credit rating.

(B) The organization does not refuse to provide credit counseling services to a consumer due to the inability of the consumer to pay, the ineligibility of the consumer for debt management plan enrollment, or the unwillingness of the consumer to enroll in a debt management plan.

(C) The organization establishes and implements a fee policy which--

(i) requires that any fees charged to a consumer for services are reasonable,

(ii) allows for the waiver of fees if the consumer is unable to pay, and

(iii) except to the extent allowed by State law, prohibits charging any fee based in whole or in part on a percentage of the consumer's debt, the consumer's payments to be made pursuant to a debt management plan, or the projected or actual savings to the consumer resulting from enrolling in a debt management plan.

- (D) At all times the organization has a board of directors or other governing body--
- (i) which is controlled by persons who represent the broad interests of the public, such as public officials acting in their capacities as such, persons having special knowledge or expertise in credit or financial education, and community leaders,
 - (ii) not more than 20 percent of the voting power of which is vested in persons who are employed by the organization or who will benefit financially, directly or indirectly, from the organization's activities (other than through the receipt of reasonable directors' fees or the repayment of consumer debt to creditors other than the credit counseling organization or its affiliates), and
 - (iii) not more than 49 percent of the voting power of which is vested in persons who are employed by the organization or who will benefit financially, directly or indirectly, from the organization's activities (other than through the receipt of reasonable directors' fees).
- (F) The organization receives no amount for providing referrals to others for debt management plan services, and pays no amount to others for obtaining referrals of consumers.

Section 501(q)(2)(A)(i) provides that if an organization is described in section 501(c)(3) and is providing credit counseling services as a substantial purpose, it may be exempted from tax only if it does not solicit contributions from consumers during the initial counseling process or while the consumer is receiving services from the organization.

Section 501(q)(2)(A)(ii) provides that if an organization is described in section 501(c)(3) and is providing credit counseling services as a substantial purpose, it may be exempted from tax only if its aggregate revenues from payments by creditors of consumers of the organization attributable to debt management plan services do not exceed a specified percentage of total revenues.

Section 501(q)(4)(A) defines, for purposes of section 501(q), the term "credit counseling services" to mean (i) the providing of educational information to the general public on budgeting, personal finance, financial literacy, saving and spending practices, and the sound use of consumer credit; (ii) the assisting of individuals and families with financial problems by providing them with counseling; or (iii) a combination of the activities described above.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations ("regulations") provides that, in order to be exempt as an organization described in section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Section 1.501(c)(3)-1(b)(1)(i) of the regulations provides that an organization is organized exclusively for one or more exempt purposes only if its articles of organization:

- (a) Limit the purposes of such organization to one or more exempt purposes; and
- (b) Do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities that in themselves are not in furtherance of one or more exempt purposes.

Section 1.501(c)(3)-1(b)(4) of the regulations provides that an organization's assets must be dedicated to an exempt purpose, either by an express provision in its governing instrument or by operation of law.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities that accomplish one or more of such exempt purposes specified in section 501(c)(3) of the Code. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(c)(2) of the regulations provides that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals. Section 1.501(a)-1(c) of the regulations defines the words "private shareholder or individual" in section 501 of the Code to refer to persons having a personal and private interest in the activities of the organization.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provides that an organization is not organized or operated for exempt purposes unless it serves a public rather than private interest. To meet this requirement; an organization must establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Section 1.501(c)(3)-1(d)(2) of the regulations provides that the term "charitable," is used in section 501(c)(3) in its generally accepted legal sense and includes the relief of the poor and distressed or of the underprivileged.

Section 1.501(c)(3)-1(d)(3)(i) of the regulations provides that the term "educational," as used in section 501(c)(3) of the Code, relates to:

- (a) The instruction or training of the individual for the purpose of improving or developing his capabilities; or
- (b) The instruction of the public on subjects useful to the individual and beneficial to the community.

In Rev. Rul. 69-441, 1969-2 C.B. 115, the Service found that a nonprofit organization formed to help reduce personal bankruptcy by informing the public on personal money management and aiding low-income individuals and families with financial problems was exempt under section

501(c)(3) of the Code. Its board of directors was comprised of representatives from religious organizations, civic groups, labor unions, business groups, and educational institutions.

The organization provided information to the public on budgeting, buying practices, and the sound use of consumer credit through the use of films, speakers, and publications. It aided low-income individuals and families who have financial problems by providing them with individual counseling, and if necessary, by establishing budget plans. Under the budget plan, the debtor voluntarily made fixed payments to the organization, holding the funds in a trust account and disbursing the funds on a partial payment basis to the creditors. The organization did not charge fees for counseling services or proration services. The debtor received full credit against his debts for all amounts paid. The organization did not make loans to debtors or negotiate loans on their behalf. Finally, the organization relied upon contributions, primarily from the creditors participating in the organization's budget plans, for its support.

The Service stated that, by aiding low-income individuals and families who have financial problems and by providing, without charge, counseling and a means for the orderly discharge of indebtedness, the organization was relieving the poor and distressed. Moreover, by providing the public with information on budgeting, buying practices, and the sound use of consumer credit, the organization was instructing the public on subjects useful to the individual and beneficial to the community. Thus, the organization was exempt from federal income tax under section 501(c)(3) of the Code.

The Service compared this holding with the holding of Rev. Rul. 65-299, 1965-2 C.B. 165, which holds that a nonprofit organization formed to advise, counsel, and assist individuals in solving their financial difficulties by budgeting their income and expenses and effecting an orderly program for the payment of their obligations qualifies for exemption from Federal income tax under section 501(c)(4) of the Code (rather than under section 501(c)(3)).

Outside the context of credit counseling, individual counseling has, in a number of instances, been held to be a tax exempt charitable activity. Rev. Rul. 78-99, 1978-1 C.B. 152 (free individual and group counseling of widows); Rev. Rul. 76-205, 1976-1 C.B. 154 (free counseling and English instruction for immigrants); Rev. Rul. 73-569, 1973-2 C.B. 178 (free counseling to pregnant women); Rev. Rul. 70-590, 1970-2 C.B. 116 (clinic to help users of mind-altering drugs); Rev. Rul. 70-640, 1970-2 C.B. 117 (free marriage counseling); Rev. Rul. 68-71, 1968-1 C.B. 249 (career planning education through free vocational counseling and publications sold at a nominal charge). Overwhelmingly, the counseling activities described in these rulings were provided free, and the organizations were supported by contributions from the public.

In Better Business Bureau of Washington, D.C. v. U.S., 326 U.S. 279 (1945), the Supreme Court held that the "presence of a single . . . [nonexempt] purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly . . . [exempt] purposes."

Application of Law

Section 501(c)(3) of the Code sets forth two main tests for an organization to be recognized as exempt. An organization must be both organized and operated exclusively for purposes described in section 501(c)(3). Section 1.501(c)(3)-1(a)(1). You fail both tests.

Organizational Test

To demonstrate that it is organized exclusively for exempt purposes, thus satisfying the organizational test, an organization must have a valid purpose clause. See section 1.501(c)(3)-1(b)(1)(i) of the regulations. You do not have a valid purpose clause. Therefore, you do not meet the organizational test. A valid purpose clause limits the organization's purposes to one or more exempt purposes and does not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities that in themselves are not in furtherance of one or more exempt purposes.

Your Articles provide that your specific purpose is to provide "counseling on housing, real estate and finance." Your Amendment added the following purposes: fair housing assistance, home improvement and rehabilitation counseling, homebuyer education programs, loss mitigation, marketing and outreach initiatives, mobility and relocation counseling, money debt management, mortgage delinquency and default resolution counseling, post purchase counseling, predatory lending, prepurchase counseling, renters' assistance, services for homeless."

Your Articles do not limit your purposes to one or more exempt purposes. Specifically, providing unsecured loss mitigation, mortgage delinquency and default resolution counseling, money debt management can serve as nonexempt purposes. For example, this provision allows you to provide services to non-charitable beneficiaries and make referrals to for-profit organizations. Thus, your Articles do not limit your purposes to one or more exempt purposes. Therefore, you do not have a valid purpose clause.

Operational Test

To satisfy the 501(c)(3) operational test, an organization must establish that it is operated exclusively for one or more exempt purposes. Section 1.501(c)(3)-1(c)(1) of the regulations. You failed to establish that you are operated exclusively for one or more exempt purposes.

Your Activities Are Not Charitable

Most of your time and resources are devoted to providing grants to individuals who are not part of a charitable class. You provide grants under the following programs: rental assistance, new home purchase, refinancing, mortgage modification and mortgage foreclosure prevention. All grant programs include various eligibility criteria, however, none of the programs are restricted to individuals considered to be low-income. The grant programs you provide to individuals do not further charitable purposes. Helping clients avoid losing their home through the foreclosure process or obtaining rental housing that they could not otherwise afford does not provide relief

to the poor and distressed within the meaning of section 1.501(c)(3)-1(d)(2) of the regulations or serve any other purpose recognized as charitable.

You are unlike the organization described in Rev. Rul. 69-441, which aided low-income individuals and families who have financial problems, thereby relieving the poor and distressed. While your counseling program is educational, the grants are an integral part of the program and they are not educational nor are they charitable. The presence of a single non-exempt purpose will destroy exemption regardless of other truly exempt purpose. Better Business Bureau of Washington, D.C. v. U.S., supra. Thus, you failed to establish that your activities are charitable within the meaning of section 501(c)(3) of the Code.

More than an insubstantial part of your activities are in furtherance of a nonexempt purpose, in contravention of section 1.501(c)(3)-1(c)(1) of the regulations. Therefore, you are not operated for an exempt purpose.

Inurement

An organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals. Section 501(c)(3) of the Code; Section 1.501(c)(3)-1(c)(2) of the regulations.

Your net earnings inure to the benefit of your directors. Your directors determine their own salaries, regardless of the fact that you have adopted a conflict of interest policy. A conflict of interest policy is impossible to enforce due to the fact that all four of your directors are compensated by the organization. In addition, G and R, each owned by board members, are included on your referrals lists. The purpose of the referrals is to generate new business for those on the list, therefore, your net earnings inure to the benefit of your directors. Your compensation arrangement essentially provides each director with an ownership interest. Therefore, you are not described in section 501(c)(3) of the Code.

Private Benefit

An organization is not organized or operated exclusively for exempt purposes unless it serves a public rather than a private interest. See section 1.501(c)(3)-1(d)(1)(ii) of the regulations. The referral services you provide to for-profit corporations substantially benefit not only G and R but all of the entities included on the referral lists because you facilitate new clients. In addition, your grants to non-charitable beneficiaries and to loan modification companies do not further an exempt purpose. Therefore, you have not demonstrated that your operations serve a public rather than a private interest as required by section 1.501(c)(3)-1(d)(1)(ii).

Section 501(q) of the Code

An organization that provides educational information on financial topics or financial counseling to homeowners who are at risk of foreclosure is providing "credit counseling services" within the meaning of section 501(q)(4)(A) of the Code. Thus, even if you had established that you engage in such activities as a substantial purpose, to be exempt from taxation you must, in

addition to complying with the requirements of section 501(c)(3), comply with the provisions of section 501(q).

You do not comply with certain provisions of section 501(q) of the Code. Credit counseling organizations must be governed by a board controlled by persons representing the broad interests of the public rather than by persons who benefit from the organization's activities. Section 501(q)(1)(D). All of the voting power of your board of directors is vested in persons who are employed by the organization and who will benefit financially, directly or indirectly, from the organization's activities (other than through the receipt of reasonable directors' fees or the repayment of consumer debt to creditors other than the credit counseling organization or its affiliates). Accordingly, you do not have a board of directors that is controlled by persons who represent the broad interests of the public as required by section 501(q)(1)(D)(i). You also fail to meet the requirements of sections 501(q)(1)(D)(ii) and (iii), which generally specify the percent of voting power that is allowed to be vested in financially interested persons.

Therefore, had you established that you provide educational information on financial topics or financial counseling to homeowners who are at risk of foreclosure as a substantial purpose, and that you otherwise met the requirements of section 501(c)(3), your failure to satisfy the requirements of section 501(q) would prevent you from being exempt from taxation under section 501(a).

Conclusion

Based on the facts and information provided, you are not organized or operated exclusively for exempt purposes. You are not organized exclusively for exempt purposes as required by section 1.501(c)(3)-1(b)(1)(i) of the regulations because your Articles of Incorporation do not restrict you to section 501(c)(3) purposes. You are not operated exclusively for an exempt purpose as required by sections 1.501(c)(3)-1(a)(1) and 1.501(c)(3)-1(c)(1) of the regulations because you are not educating your clients nor do you provide your services to poor or distressed individuals. You are organized and operated for commercial purposes. Any public purposes for which you may operate are only incidental to this primary nonexempt purpose. You have not demonstrated that you do not allow your net earnings to inure to private individuals as required by section 1.501(c)(3)-1(b)(2) of the regulations. You do not serve a public rather than a private interest as required by section 1.501(c)(3)-1(d)(1)(ii) of the regulations. Therefore, you are not described in section 501(c)(3). In addition, you do not meet the requirements of section 501(q) of the Code, due to the composition of your board.

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter. We will consider your statement and decide if the information affects our determination. If your statement does not provide a basis to reconsider our determination, we will forward your case to our Appeals Office. You can find more information about the role of the Appeals Office in Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*.

Types of information that should be included in your appeal can be found on page 2 of

Publication 892. These items include:

1. The organization's name, address, and employer identification number;
2. A statement that the organization wants to appeal the determination;
3. The date and symbols on the determination letter;
4. A statement of facts supporting the organization's position in any contested factual issue;
5. A statement outlining the law or other authority the organization is relying on; and
6. A statement as to whether a hearing is desired.

The statement of facts (item 4) must be declared true under penalties of perjury. This may be done by adding to the appeal the following signed declaration:

"Under penalties of perjury, I declare that I have examined the statement of facts presented in this appeal and in any accompanying schedules and statements and, to the best of my knowledge and belief, they are true, correct, and complete."

Your appeal will be considered incomplete without this statement.

If an organization's representative submits the appeal, a substitute declaration must be included stating that the representative prepared the appeal and accompanying documents; and whether the representative knows personally that the statements of facts contained in the appeal and accompanying documents are true and correct.

An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you during the appeal process. If you want representation during the appeal process, you must file a proper power of attorney, Form 2848, *Power of Attorney and Declaration of Representative*, if you have not already done so. You can find more information about representation in Publication 947, *Practice Before the IRS and Power of Attorney*. All forms and publications mentioned in this letter can be found at www.irs.gov, Forms and Publications.

If you do not file a protest within 30 days, you will not be able to file a suit for declaratory judgment in court because the Internal Revenue Service (IRS) will consider the failure to appeal as a failure to exhaust available administrative remedies. Code section 7428(b)(2) provides, in part, that a declaratory judgment or decree shall not be issued in any proceeding unless the Tax Court, the United States Court of Federal Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted all of the administrative remedies available to it within the IRS.

If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter. That letter will provide information about filing tax returns and other matters.

Please send your protest statement, Form 2848, and any supporting documents to the applicable address:

Mail to:

Internal Revenue Service
EO Determinations Quality Assurance
Room 7-008
P.O. Box 2508
Cincinnati, OH 45201

Deliver to:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Room 7-008
Cincinnati, OH 45202

You may fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Holly O. Paz
Director, Exempt Organizations
Rulings & Agreements

Enclosure, Publication 892